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Canada Textile Industry Royal Commission



ARGUMENT

PRIMARY TEXTILES INSTITUTE

and

REBUTTAL

of

J. C. McRUER, K.C.




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SECTION "A" - GENERAL STATEMENT ON INDUSTRY

KELLOCK'S

BRIEF

<u>BOOK IN</u>	<u>PARA-</u>	<u>KELLOCK'S</u>	<u>MORVEN'S</u>	<u>S U B J E C T</u>
<u>BRIEF</u>	<u>GRAPH</u>	<u>ARGUMENT</u>	<u>REBUTTAL</u>	
1	1	16236		General statement of industry - The primary industries, definitions and chief statistics Relative importance in Canada
1	2	16237	16269	
1	3	16237	(E.D.)	
2	4	16237		
2	5	16238		
2	6	16239		
3	7	16249		
4	8	16244		
5	9	16245		Woolen and Knitting Industry
5	10	16245		
5	11	16246		
5	12	16246		
6	13	16246		
6	14	16247		Cotton Yarn and Cloth Industry
6	15	16247		
6	16	16248		
6	17	16248		
7	18	16251		Silk and Artificial Silk Industry
7	19	16251		
7	20	16252		
		16252		Artificial silk business forms a much larger proportion of the total business of the silk mills than does the artificial silk business of the cotton mills
8	21	16253		Other Branches of the Industry
8	22	16253		Benefit to Municipalities
8	23	16254		
9	24	16254		
9	25	16255		
10	26	16256		
10	27	16257		
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10	29	16258		
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11	31	16258		
11	32	16259		

SECTION "B" - EMPLOYMENT

KELLOCK'S BRIEF		KELLOCK'S ARGUMENT	McHUGH'S REBUTTAL	S U B J E C T
CE IN PARA-	BRIEF GRAPH			
1	1	16260		Employment
1	2	16262		
2	3	16262	18969	
2	4	16263		
2	5	16265		
3	6	16264		Employment - Woollen and Worsted Cloth
3	7	16265		
3	8	16265		
4	9	16265A		
4	10	16266		
5	11	16267		
5	12	16267		
		16267		Trend of employment in cotton yarn and Cloth sections is the same as in the worsted section as between 1930, 1934 and 1935
5	13	16268		Employment - Woollen and Worsted Cloth
6	14	16269		
		16270		How industry fulfilled its obligation to provide employment during depression: -
		16271		Dominion Woollens & Worsted Ltd., Mercury Mills Ltd.
		16272		Barrymore Cloth Co.
		16273		Hield Bros. Ltd. St. Johns Textiles
		16274		Harding Carpet Co. Allan-A Company
		16275		National Hosiery Regent Knitting Mills
		16276		Geo. Pattinson & Co. Tayside Textiles Ltd.

18277

Industry as a whole has taken very seriously the responsibility of providing employment not only in periods of temporary difficulty but in periods of sustained difficulties such as the 5-year period 1930-1935. - The only beneficiaries who got a direct return were the employees of the Companies

SECTION 55 - LABOUR & WAGES

KELLOCK'S

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Page No.	Page No.	KELLOCK'S INDEX	McMAHON'S INDEX	
1	2	3	4	U S F C Y
1	1	17277		Labour and Wages
1	2	16278		
2	3	16279		Labour & Wages - Wool Spinning & Weaving
2	4	16280		Labour & Wages - Cotton " "
		16281		Since April 1936, wages in cotton industry in Canada and Great Britain have been increased
		16282		McMahon's evidence is that wages in the United States are 10% lower than under the N.R.A. Fessenden puts it at 1%
		16306		Ellenbogen Bill to restore the effect of the N.R.A. so far as wages and hours were concerned (Svid. p. 6835)
		16310		Kellock's admits that McMahon's evidence as to wages now being 10% lower than under N.R.A. is well founded
4	5	16311		Labour & Wages - Carpet Industry
4	6	16312		Wages in Canada
4	7	16313		
5	8	16313		Female Wages - Canada
5	9	16314		Male " "
		16360		
5	10	16314		Female Wages - Quebec
6	11	16315		Male " "
6	12	16315		Female Wages - Ontario
6	13	16315		Male " "
7	14	16316		Average Basic Wage - Montreal and Outside Montreal - All industries and Textile Industry
7	15	16316		Real Wages
8	15			Real Wages - Cotton Yarn and Cloth
8	15			Real Wages - Hosiery, Knit Goods & Gloves

9	16	18318	Maintenance of Nominal Wages
9	17	18380	Work Loads
11		18383	
		18381	Kellock says Mr. Beauregard in his brief contends that industry mechanized when it should not have done so. Accord- ing to Tassonien if industry had not me- chanized where necessary it could not have carried on

7	17 18	16780	Profits in relation to original capital and average capital
		16783	Earnings as a percentage of invested capital - Penmans Limited
		16785	Earnings as a percentage of invested capital - Monarch Knitting Co.
8	18	16786	Normal Profits
8	19	16786	
9	20	16788	
9	21	16788	
9	22	16789	
10	23	16789	
10	24	16790	Net Profits to Invested Capital
11	25	16,792	
11	26	16794	
		16793	Percentage of net profits (after bond interest and income tax) to book value of shareholders' equity
11	27	16794	Profit as a percentage to Sales
12	28	16796	Wages as compared with profits -
13	29	16798	Summary of Wages paid, profits earned and income taxes - 1926 to 1930
14	30	16798	
14	31	16799	
14	32	16799	
		16796	Difference of 3.5% between net profits and dividends in Hosiery Division was left in the business and used
		16797	Prices have increased during past year
15	Statement 1	16783	Earnings as a percentage of invested capital - Penmans Ltd.
16	Statement 2	16785	Earnings as a percentage of invested capital - Monarch Knitting Co.
17	Statement 3	16793	Percentage of net profits (after bond interest and income tax) to book value of shareholders' equity
		16816	
		17121	
		17300	

- 16805 Comparison of what the income would have been to shareholders had they invested their money in Government bonds instead of textile companies
- 16809 Kellock submits that comparing the return on Government bonds and textile securities it is impossible to say that there has been any excessive profit earned by the textile industry
- 16811 Kellock says that unless a company can turn over its stock more than once a year the net profit on sales coincides with the final net profits
- 16811 Penmans Limited net profit on sales in 1930 was $5\frac{1}{2}$ to 6 percent, but if depreciation is taken off there was no profit at all
- 16814 Final real net profit of penmans Limited on shareholders' equity in the business in 1930 was 3.4%
- 16816 Statement 3 on page 17, Section "D" of Kellock's brief shows net profits and includes not only what was distributed among the shareholders but what was retained by the Company and reinvested

- 16691 Kellock admits that average returns between 1926 and 1935 have been 4.6%
- 16708 Industry can only make large profits out of the consumer for a limited time because of the mere existence of the profit which attracts new capital into the industry and brings the profits down
- 16710 Losses in hosiery division are due to excessive internal competition and not to insufficient tariff protection (Ex. 1155, p. 5)
- 16711 Losses in Woollen Division (Ex. 1158, p. 7)
- 16712 Profits in Carpet Division (Ex. 1191, p.3)
- 16713 Kellock says a man must earn enough money not only to pay himself a profit but also to pay bank loans and interest
- 16719 Do
- 16714 Losses in Real Silk Division (Ex.917,p.5)
- 16714 Losses in Cotton Division (Ex. 998,p. 5)
- 16715 Cornwall and York Cotton Co. wrote down its inventory in order to consume some of its profits
- 16716 Losses sustained by entire textile industry 1930 to 1938
- 16720 Kellock says tariff is not too high and perhaps not high enough
- 16721 Kellock agrees with Mr. McRuer that the tariff should be devised so that it allows a reasonable profit to be acquired under good management
- 16725 Analysis of profits from shareholders standpoint
- 16736 Kellock says "revenue is "net profit"
- 16736 Kellock submits that proper result is not obtained by taking the figure of revenue for the full year and the figure of capital employed for a single day in the year
- 16734
12890
- 16740
16895 18879

- 16739 Kellock admits that the proper way is to take the capital that belongs to the shareholders, i.e. the company and find out what is the return on that
- 16738
16743 Kellock states that what should be taken is the assets of the company less its liabilities and that is the shareholders' equity, and that, he submits, is the shareholders capital, the company's capital and it is the return on that which gives the true picture
- 16737 Interest on loans deducted before arriving at net profit
- 16739 Bank loans are included in working capital of individual companies, but not in statement of whole group
- 16741 Intangible capital is not included in statement prepared by Mr. Howson
- 16744 Kellock says term "representative companies" is not correct as the companies used are not representative of the entire industry
- 16748
17764
17767
18940-48 Meaning of phrase "net profits"
- 16753 Canadian Cottons annual statement for 1912 shows that bond interest was paid out of net profits to profit and loss account, whereas in another year bond interest is deducted and the balance shown as the net profit

SECTION "E" - CANADIAN TEXTILE TRADE

KELLOCK'S BRIEF				
PAGE IN BRIEF	PARA- GRAPH	KELLOCK'S ARGUMENT	McRUER'S REBUTTAL	S U B J E C T
1	1	16391	18798	Canadian Textile Trade - Imports from Great Britain
1	2	16393	17418 E.B.	
		16391		Kellock emphasizes that the basic reason for the 1932 Trade Agreement with Great Britain was to transfer to British producers and exporters as large as possible a share of the business at that time being done in the Canadian market by foreign producers and exporters
2	3	16394		Imports from Great Britain - Wool
2	4	16394		
2	5	16395		
2	6	16395		
3	7	16396		
		16392		Between 1932 and 1935, the Canadian textile market while accounting in 1935 for 32.7% of the total imports from Great Britain, was responsible for 11.27% of the increase in trade
3	8	16397		Free Imports from Great Britain
4	9	16398		
4	10	16398		
4	11	16399	14145	Imports from Great Britain - Cotton
		16425		
4	12	16410		Imports from Great Britain - Cotton Piece Goods
		16427		
5	13	16413		Imports from Great Britain - Cotton Yarns
5	14	16414		Artificial Silk Fabrics - Sales & Imports
6				
6	15	16415		All Artificial Silk Products - Imports & Canadian production
6	16	16419	17004 E.B.	Carpets - Apparent Canadian market
6	17	16420		
7				
7	18	16420		Nature of Import Competition
7	19	16421		
		16431		
		17132		

8	20	16425	Nature of Import Competition
		16426	
		16427	
			Exhibit 1233 only indicates a trend of Canadian production and imports
8	21	16430	Nature of Import Competition
		16431	
		16433 16432	
			Certificate furnished by English exporter covers his own cost and not the cost of production
			Cotton industry in Great Britain is manufacturing and selling at a loss at home and abroad, which constitutes dumping
8	22	16438	Nature of Import Competition
9	23	16440	
10	24	16440	
		16442	
			A large part of textiles imported into Canada are imported at less than the home market values
10	25	16450	Nature of Import Competition
11	26	16451	
		17084	
		16453 16595	
			Mr. McRuer suggests that manufacturers in Great Britain lost their export trade because during the war they gave all their attention to the domestic market
		16453	Kellock thinks Department enforcing Customs Act and Customs Tariff Act are called on to do more than it can possibly do
		16455 16457	
			Kellock says there is no other way of dealing with dumping than to appraise the goods and either put on a fixed valuation or add something to the invoice price

T A R I F F

SECTION "1"

NO. IN LIST	PARA- GRAPH	KELLOCK'S ATTORNEY	McGILL'S ATTORNEY	S U B J E C T
		16916		Kellock says we does not get tariff pro- tection unless costs are at least equali- zed
1	1	16916	16978	Tariffs
1	2	16916		
1	3	16948		
3	4	16948		
		16917		Discussion re 1932 Ottawa Agreements
		16933		Ottawa agreement provides that an indu- stry such as the textile industry that is fully established is to be put, as between Canada and Great Britain, on the basis of reasonable competition having regard to relative production costs
		17349		
	17386	17386		
		16984		Average ad valorem duty rate on dutiable imports and total imports (Ex. 1348)
		16933		
		16927		Import duties collected in Canada between 1907 and 1937
		16931		From 1921 on there has been a limitation of amount of duties collected from texti- les as compared with duties collected from all sources
		16939		When duties are raised on dutiable imports the imports of dutiable goods are decreased and therefore, the percentage of free goods is raised
		16941		Dutiable imports in 1936 amounted to \$38,575,000 and free imports to \$51,238,000 In 1939 dutiable imports were \$130,360,000 and free imports \$76,074,000
3	5	16945		Cotton duties
3	6	16945	14016	
4	7	16953		
4	8	16958		
5	9	16983		
5	10	16965		

- 16945 Kellock says a recital of the rates of duty laid down in the Customs Tariff or a computation of an ad valorem duty of such rates as applied to any given product is not a true measure of the protection afforded and one has to take into consideration what the industry has to pay
- 16949 Kellock submits that during greater part of the time since 1897 tariff rates affecting cotton goods were either the same or higher than existing rates
- 16953 Reference to cotton duties refers only to the British Preferential
- 16950 Table showing British Preferential Tariff 1897 to 1936
- 16951 British Preferential rates were initiated in 1897
- 16951 Increase in 1930 of British Preferential ad valorem cotton tariff rates set in 1928 were not the result of the investigation by the Tariff Board
- 16953 Kellock says raw cotton prices were not lower when tariff increases were put into effect in 1930 than they were in 1928 and 1935. - Mr. McNair says they were lower
- 16957 Average raw cotton prices 1929 to 1935
- 16960 Kellock says that of the tables prepared by Hooper showing the duty on importations of actual fabrics only two were from Great Britain, the balance being supposed importations from the United States where the competition does not come from
- 16960 Imports into Canada of grey cloth from Great Britain (Ex. 800, Ref. 5 Statement 6d. p. 2)
- 16961 Cloths shown in this statement are all cloths with which the Canadian mills had to compete
- 16964 Kellock says there is no tendency of cheap goods coming in from Great Britain. The English industry makes all types of cotton goods which compete with those made in Canada and they come in here

3	11	16965	Cotton Drawbacks
		16967	Cotton exports on which drawback applied (Ex. 600, Ref. 6 Statement 6c)
6	12	16970	Cotton Duties
6	13	16970	
6	14	16971	
7	15	16967	
		16972	Kellock submits in considering duty rates too much attention should not be directed to any particular fabric and that it is the result of the tariff rate on the whole group of items to which it is designed to apply which must be considered
		16980	British Preferential rates under the 1932 Canada-United Kingdom trade Agreement
		16981	British exporters have been given an additional advantage by lowering of duty rates in 1936 budget
		16982	British Preferential rates in 1936 were
		16980	fixed on the basis of the relative cost
		17135	of production in Canada and the United Kingdom and reasonable competition
		16983	Kellock submits that Mr. McFuer is asking
		16984	for lower rates of duty without any evi-
		17039	dence that further reductions are required
		16983	Tariff Board in 1936 recommended certain rates and they were implemented in the budget and that was on the basis of relative costs of production and reasonable competition
		16984	1937 Canada-United Kingdom Trade Agreement (Ex. 1345)
		16986	Budget Speech, February 25, 1937 (Ex.1346)
8	16	16988	Woolen and Knitting Duties - Raw Wool
		16988	Kellock says some products may be produced sufficiently cheaply in other countries, owing among other things to a larger market, and mass production, which brings down the cost under the intermediate or general rate in competition with the domestic or the British producer

8	17	16989	Duties on Wool Yarn and Wool Cloth
9	18	16992	
10	19	16998	
11	20	16998	
		16993	Kellock says that tariff rates in effect when Tariff Board made its report in March, 1935, provided a virtual monopoly in the Canadian market for the British manufacturer of light weight wool fabrics. - Mr. Mahner says these cloths were never made in Canada
		16995	Old and 1937 rates of duty on woollen fabrics and yarns
		17000	Kellock says there is no evidence as to what there has been in the way of change of British costs of production since the Tariff Board report of March, 1935. - New rates simply aggravate the situation
		17001	Canadian woollen industry does not export trade
		17001	Kellock suggests that Mr. Mahner's request for lower duties does not apply to woollen goods
		17003	Comparison of old and new duty rates on carpets
11	21	17004	Duties on Carpets
11	22	17 04	
12	23	17004	
12	24	17005	
12	25	17006	
		17008	Canadian carpet companies do not export
		17006	Best and cheapest wools for carpets are foreign wools such as Chinese wools but duty on them is prohibitive
		17006	British carpet industry application to Canadian Tariff Board for a review of the Canadian carpet item was withdrawn. Kellock submits that the British industry must have come to the conclusion that they could not substantiate that on existing duties they were not competing on a reasonable basis having regard to the relative costs of production

12	25	17006	Duties on Knit Goods and Hosiery
		17007	Comparison of old and new rates of duty on knit goods and hosiery
12	26	17008	
13	27	17009	Compound Duties
		17008	British knit goods and hosiery tariff items proposed hearing before Canadian tariff Board was withdrawn for the same reason as the carpet industry application
		17001	Compound duties are a necessity in textile industry. Kellock says a specific duty alone would not be practical due to large number of items which would be needed for worsted yarns
		17020	
		17026	Kellock submits that there are objections to a simple ad valorem or a simple specific duty by itself, but by combining the two you get the advantage and avoid perhaps some of the disadvantages
		17021	Reasons advanced by Tariff Board in Reference 1 for compound duties (ex.640)
		17026	Tariff Board do not mention any advantage of an ad valorem rate, but that it is disadvantageous to the textile industry
		17027	Kellock submits that the ad valorem method has the advantage of giving at any one time across the schedule the proper protection having regard to the degree of fabrication of the article. The disadvantage is that when you change the date and your raw material goes either up or down and becomes reflected in prices, the opposite result is obtained by combining the two you get some of the advantages of both and avoid the disadvantages
14	28	17029	Woolen and Knitting Duties - Conclusions
		17029	Kellock submits that the best way to fix protection which will last for a time without these inequalities is by using the compound rate

14	29	17030	Silk and Artificial Silk Duties
14	30	17030	
14	31	17031	Artificial Silk Duties
15			
		17032	Comparison of old and new rates on silk and artificial silk yarns and fabrics
		17034	Kellock says the protection given to the finished fabric is the spread between the rate existing on the yarn and the rate on the fabric
		17037	Kellock says that in considering what protection amounts to other facts have to be considered one of which is the duty paid on the raw material
15	32	17038	Duties on yarns and Fabrics
15	33	17040	
16	34	17049	
		17050	Kellock states he is not advocating the free entry of silk yarns
		17059	Kellock is in favour of free entry of raw silk, raw cotton and such raw materials
		17042	Tabulation of value of imports into Canada, 1928-1936 of fabrics in whole or part of artificial silk (Ex. 1347)
		17043	Imports into Canada of artificial silk yarn, 1926 to 1936
		17043	Value and weight of woven fabrics in whole or in part of artificial silk imported into Canada in 1932. (Ex. 1348)
		17044	Mr. McManer contends that protection should be very materially reduced on acetate yarns under the Intermediate schedule
		17044	Kellock says he has no instructions to criticize anything in Mr. McManer's brief relating to Canadian Colanese
		17048	Surtax on Japanese goods did not affect shipments until November 15, 1936

16	34	17049	Duties on Silk Fabrics
16	35	17050	
17			
		17051	Kellock says the growth of the industry since 1930 has been accompanied by a downward trend in prices together with keen internal competition and that Mr. McNuer adopts that in his brief
17	36	17052	Duties on Cut Pile Fabrics
		17053	New and old rates of duty on silk and throwsters and thread manufacturers items
17	37	17054	Duties on Ribbons
17	38	17055	Duties on Throwsters and Thread manufacturers items
		17056	Kellock says that under the Intermediate and General tariff now in effect the throwster has no protection and if the throwster is to have any protection at all, it would have to be by an increase in the intermediate and general rates
		17057	Kellock states that Bolding-Corticelli sells direct to the trade and has a larger distribution expense than other silk companies
		17058	Mr. McNuer says Kellock in dealing with silk companies had raised the point that one of these companies did throwing and should not be compared with other companies when considering profits
18	39	17059	Silk and artificial silk fabrics
18	40	17060	Necessity for compound duties

- 17072 Kellock submits that a tariff is put on to enable industry to operate and not to give it extra money and that industry could not operate at all without the tariff
- 17073 Tariff protection enables industry to employ a large number of workers at good wages
- 17073 Kellock says that industry he represents do not endeavour to employ the cheapest labour possible
- 17073 Kellock states that mere existence of a tariff apart from its height, does not enable an industry to pay better wages than an industry that has not got a tariff. One of the things to be ascertained from the results of the companies behind the tariff wall is whether or not the proportion as between shareholders and labour has been too much
- 17076 Textile industry in Canada is paying in wages 60% and upwards more than its chief competitors in many lines
- 17077 Kellock says exhibits prepared by Hooper
17092 showing mill spreads in the United States
17141 are hypothetical cases and are of no value
17161 as the competition in Canada comes from Great Britain and not the United States
- 17096 Kellock says that class of cotton yarns
17090 which come from the United States in 1926-27-28 and 1929 now come from Great Britain. - Mr. McNair says they do not
- 17092 Switch in importation of yarns from Great
17141 Britain instead of United States took place from 1932 on
- 17092 Hooper says there are certain cotton yarns which formerly came from the United States which have not switched over to Great Britain but which are now made in Canada
- 17095 Kellock says Excise Tax does not increase protection unless the same thing is paid on raw materials

- 120
17101 Kellock submits that an absolute comparison cannot be made between mill spreads in the United States and Canada & a profit arrived at in either place
- 17102 Definition of "mill spread"
- 17106 American mill spreads show heavy losses rather than a profit
- 17107 Kellock says if mill spreads are to be depended on from the standpoint of profit, these mills would have been justified in decreasing wages before they did
- 17108 Comparison of Canadian mill spreads used in Exhibits 821, 822, 826
- 17112 Kellock says that regardless of what the American mill spreads were, the articles which were affected by the valuations placed on them in 1932, were selling below cost of production in the United States
- 17113 Table showing cotton and print cloth prices and mill margins in the United States 1928 to 1936 (Ex. 932)
17341
- 17115 Canadian mills have to pay a sales tax on the value of materials used in plant extensions
- 17120 Kellock submits that mill spreads only show a trend in the increasing or decreasing return to the mill and if it is desired to get at the question of profit it is necessary to analyze and go deeper
- 17122 Kellock says Mr. Mohner is wrong in stating in his brief that wages did not go up after July 1933, because wages were increased in April 1934
- 17123 Restoration of 5% of 10% wage decrease was made in 1934
- 17125 Kellock explains that as a result of decreasing net profits there was a 10% reduction in wages in the Canadian cotton industry

- 17127 Kellock says indirect wages in everything the industry buys as well as direct wages overhead and everything else, should be included in costs of production in determining what the protection afforded by the tariff amounts to
- 17129 Kellock states that protection is not given simply to take care of any extra labour cost, but as a protection against all other costs, of which labour is only one
- 17130 Wages in a pound of yarn (Ex. 857)
17131
- 17134 Graph prepared from Exhibit 857, showing the variation in price between English and Canadian super hosiery yarn (Ex. 1350)
- 17138 Kellock says reason duty on yarns to weavers was increased in 1930 was because the French Treaty had a fixed rate on knitted goods including hosiery and as a result of that the British Preferential rates could not be increased
- 17139 Kellock submits that the large manufacturers of cotton yarns did not have a monopoly
- 17142 Kellock submits that with regard to cotton fabrics, the British Preferential rates are the ones to look at and not the hypothetical examples of supposed importations from the United States, because the competition came and continues to come from the United Kingdom
- 17145 Section 362 of the Customs Act
- 17146 Section 43 of the Customs Tariff Act
- 17147 Section 52 of the Customs Act
- 17147 Section 38 of the Customs Act
- 17148 British organizations sets up a Tariff Board to press for tariff reductions. 10% discount on the British Preferential tariff was due to the activities of this Tariff Board
- 17150 Importers in Canada have ample means of getting a knowledge of various customs regulations through customs brokers, etc.

- 17184 Canadian Importers and Traders Association
- 17185 Kellock submits that selling prices of the Canadian Ming Toy fabrics, which is made entirely of rayon, cannot be compared with an entirely different fabric made partly of cotton and partly of rayon and say it is the same and should be sold at the same price
- 17181 Section 43 of the Customs Tariff Act was
17183 applied against imports from Great Britain of Wool Jersey Cloth and an advance of 25¢ a pound made on the true invoice value at place of export
- 17188 Statement showing average ad valorem rates on dutiable imports and total imports from Great Britain
- 18689 14706 Kellock says the tariff exists in order that capital will be invested in industries which the tariff protects
- 18691 13995 Kellock submits that the problem is - are the returns on capital sufficient to ensure the continuance in the industry of capital already employed and to ensure the development of the industry by the re-investment of new capital or are the returns excessive or inadequate?
- 18696 Tariff should be adjusted so that industry will not be able to make more than a reasonable profit
- 18708 13996 Kellock says no one asks for an unreasonable profit, no one asks that the tariff shall be set to make an unreasonable profit and no one objects to the setting of tariff rates which will give a reasonable return

SECTION "C" - JAPAN

PAGE IN FRONT	PARA- GRAPH	KELLOCK'S ARGUMENT	MCWEE'S REBUTTAL
1	1	16467	JAPAN - Rayon duties
2	2	16469	
2	3	16470	" Canadian surtax
2	4	16470	
2	5	16471	
		16472	Kellock contends that the present protec- tion against Japanese importations is not high enough
3	6	16472	JAPAN - Extent of reduction in duties
3	7	16473	" Effect of reduction in duties
3	8	16473	" Importations by A.B. Fisher & Co.
4	9	16476	" Evidence of buyers
4	10	16477	" Importations in the grey
4	11	16477	" Importations on consignment
5	12	16481	
5	13	16504	
5	14	16504	
6	15	16520	
6	16	16520	
		16475	McWee says that if the importer tries to evade duty by importing on consignment, i. e. sells at a lower price than the import- er in Canada could import direct, the Cus- toms Department may collect dumping duty
		16500	Kellock says selling on consignment and importing on consignment, obviates the necessity of paying currency dumping duty
		16504	High duties open the door to fraud
		16508	Kellock says he is not saying that Japanese goods should be taxed so high that they can- not be imported
		16508	Kellock admits that if consignment imports take the place of direct imports, the price that the consignment importer sells at cannot be compared with anybody else

16512 Example of consignment from Japan and application of currency dumping duty

16515 Kellock says bulk of Japanese business
16527 is on consignment, Hooper says very little is done on consignment

16518 Hooper does say consignment shipments
16532 would not amount to 10% possibly 5%

16520 Kellock suggests that dumping duty should be collected in every case, whether consignment or sale

16531 Kellock cannot cite any concrete importations on consignment and any cases of fraud

7 17 16527 JAPAN - Imports of Japanese rayon sub-
8 18 16529stantial
8 19 16530 14235 Costs (Wid. p. 13949)
9 20 16531
9 21 16532

16537 Canadian taffetas are of same construction and material as Japanese taffetas, but of better quality

16539 Kellock submits that there must be some
16540 method used in connection with imports into the United States that tends to keep Japanese textiles out

16540 Kellock thinks that Japanese imports into Canada of 133,581 pounds of artificial silk between January and July, 1936, is a large amount

16541 Kellock says that if Canadian cost is higher than Japanese goods are going to be sold for in Canada, there is no possibility of bringing it down

9 22 16541 JAPAN - Quality of Japanese rayon
10 23 16542
10 24 16543
10 25 16544
10 26 16545
10 27 16546
11 28 16547
11 29
11 30

		16343 16376	Quantities of Japanese reynos imported by Australia
12	31	16348	JAPAN - Comparison of Japanese Selling
12	32	16349	Prices in Canada and Canadian
12	33	16349	Costs
12	34	16350	
12	35	16351	
12		16351	Canadian Cottons have not got a costing system that checks out with their actual costs of production
14	36	16353	JAPAN - Cotton Piece Goods Duties
15	37	16355	" Real Silk Duties
15	38	16355	" Prices of Japanese ribbons and elastics
16	39	16357	" Low Japanese Cost of Production
16	40	16358	
		16357	Kollock says Japanese Government subsidizes industry and shipping and has export cartels and guilds
16	41	16358	Wages in Japan
16	42	16358	
17	43	16358	
17	44	16361	
17	45	16361	JAPAN - Depreciation of the Yen
18	46	16362	
18	47	16362	
18	48	16363	" Japan produces bulk of its needs in pulp and chemicals
18	49	16366	
		16368	Japanese export trade is not handled indiscrimi- nately but is controlled by six Japanese trade associations
19	50	16367	JAPAN - Japanese taxation and Export Associa- tion
20	51	16369	" Japanese manufacture at a profit

80	52	16570 & 16794	JAPAN - Experience of other countries with
21	53	16571	Japanese Textile Exports
21	54	16571	
21	55	16574 & 16796	
22	56	16575	
		16625	
		16572	Kellock submits that fixed valuations which brings the values of foreign goods more in line with the cost of producing the same goods in Canada, might be just as good and as fair to domestic industry as the imposition of quotas
22	57	16576	JAPAN - Experience of other countries with
			Japanese Textile Exports
23	58	16578	
23	59	16577	
23	60	16577	
23	61	16578	
23	62	16578	
23	63	16579	
24	64	16579	
		16587	
		16580	Clipping from ^{Montreal} Gazette of January 22nd, 1937, re curtailment of Japanese cotton exports to United States
		16581	Memorandum setting out quotas applicable on Japanese exports of cotton piece goods to United States during 1937 and 1938
		16587	United States Tariff Commission were able to establish a satisfactory domestic cost of production of wool and knit gloves and mittens
		16588	United States Tariff Commission were able to ascertain Japanese costs (Japanese selling price)
25	65	16588	JAPAN - Experience of other countries with
25	66	16589	Japanese Textile Exports
25	67	16589	
25	68	16590	
26	69	16591	

26	70	16591	British Duties on Japanese Rayons
26	71	16592	
27	72	16597	
		16596	Clipping from Montreal Gazette re increase in imports of Japanese cotton goods into Great Britain
27	73	16597	JAPAN - Conclusions reached from experience of other countries
27	74	16597	
28	75	16599	
28	76	16600	
29	77	16600	
		16600	Imports of cotton piece goods into Canada in 1934, 1935 and 1936
29	78	16602	JAPAN - Conclusions reached from experience of other countries
29	79	16602	
30	80	16603	
30	81	16604	
30	82	16604 & 13792	
31	83	16605	JAPAN - Balance of Trade
31	84	16606	
31	85	16606	
32	86	16608	
32	87	16613	
33	88	16614	
		16608	Egypt would not accept imports from Japan to the value of Japanese purchases of Egyptian raw cotton in view of the entirely different level of selling prices of the respective goods
		16609	Japanese wheat purchases (Ex. 668)
		16611	Japan only purchases raw materials from Canada because they are cheaper here than elsewhere
		16613	Hallock says switch of wheat buying from Canada to Australia has been due to the fact that Japan was able to purchase wheat more advantageously from Australia
33	89	16615	JAPAN - Japanese Surtax
		16619	
33	90	16617	" Canadian Surtax
34	91	16620	

18616 Japanese claim that Canada broke its treaty with Japan by putting on the currency dumping duty. Japan retaliated by imposing a 50% surtax on certain goods

18618 Article VII of the Treaty

34	92	18622	JAPAN -Japanese Trade Practices
34	93	18624	
35	94	18626	
35	95	18624A	

18630 Mills of Associated Textiles was closed
18646 From Dec. 15, 1935 to Jan. 15, 1936.

18657 *Kallosch of opinion that trade agreement with*
Japan not in line with economic policy of
16642 *Canada*
18647 *Canada testified that he had not found any*
Japanese goods that were competing with
him (Ex. p. 4412) *Japan*

18656 Closing of Sherbrooke Mill was entirely Mr. Gordon's action and the other members of the delegation at Ottawa on January 14 1936, had nothing to do with the decision to close this mill

18660 Switzer's evidence re importations from Japan of brocaded taffeta

18663 Evidence of buyers re brocaded taffeta

18666 Gordon says several sales of taffeta were made to both the large department stores in Toronto and Montreal but Mr. Switzer says no invoices were produced to substantiate this

SECTION 7 - TRADE ASSOCIATIONS

Kellogg's

Index

<u>Page in</u>	<u>Trade -</u>	<u>Kellogg's</u>	<u>to Fair's</u>						
<u>Index</u>	<u>Index</u>	<u>Index</u>	<u>Index</u>						
1	1	16816		Trade Associations					
1	2	16817							
1	3	16817		Fair Trade Practices					
		16820		Trade and Industry Commission Act					
2	4	16822		Sales F.O.B. Mill					
		16822		Price arrangements are not necessarily any					
				part of fair or unfair trade practices					
		16818		Section 498A of the Criminal Code					
		16817							
		17326							
		16831		Kellogg submits that mills were justified					
				in agreeing among themselves that unfair					
				trade practices, i.e. selling f.o.b. custo-					
				mer apart altogether from fixing a common					
				price, should not continue					
3	5	16834		Terms					
3	6	16835		Marking of merchandise					
4	7	16836		Advertising allowances					
4	8	16837		Store Furniture					
4	9	16837		Price Spreads Commission endorses trade					
				associations					
4	10	16839		Price Stabilization - purpose of					
4	11	16840							
5	12	16841		" " Reasons for					
5	13	16842		" " Buyers' knowledge and					
				approval					
		16844		Kellogg submits that the evidence shows why					
				persons in the retail trade would favour					
				price fixing, etc., so long as the price was					
				not unduly high					

		16845 16853	Prices in hosiery agreements were increased from time to time, but Kellock says trend was downward
7	9		
7	14	16848	Price Stabilization - Lord Haldane and Lord Parker
9	15	16862	
9	18	16881	
		16852	Kellock says one reason for a fixed price would be to prevent prices going lower.
		16834	14744
		16840 16900 17326	Attorney-General of Australia vs. Adelaide Steamship Co. Saskatchewan Co. Operative Wheat Producers vs Korowski
		16865	Evidence shows that certain mills were giving better qualities than agreements called for
		16868	Kellock says agreements do not curtail quality
		16876	Suggesting sale by Ralph Garret and Corsted Spinning Mills that a Committee should be formed to determine quality of yarns of various companies was never adopted
19	17	16881	Price Stabilization - Full Fashioned Hosiery
		16876	Means by which quality and attractiveness of hosiery can be improved
		16879	Each hosiery mill draws its own line between firsts and seconds
		16879	Hosiery agreements only set a minimum price and a variety of prices existed at the time these agreements were in force. (See also Ex. 1233, letters 197, 198 and 202)
		16880	Some mills give better service than others
		16883	If one of the mills broke the agreement it was supposed to notify Hallam fifteen days in advance and a meeting was then called to see what was to be done (Ex. p. 8675)

11	18	16886 17257	Price Stabilization - Cotton Underwear
12	19	16886 16887	" " Worsted Cloth Dodd said there had been no meeting of the Worsted Cloth group since February 1936 and that they were all free to sell at any price at which their competitors might sell (Ev. p. 10932, l. 12 and p. 10933, l. 7)
		16888	Mr. McNair says evidence shows that four mills still continued to fix prices
		16889	Kellogg says Dodd evidence was that buyers desired that prices should be stable
13	20	16890	Price Stabilization - Worsted Yarns
14	21	16893	" " Cotton Towels
15	22	16896	" " Cotton Yarns
		16898 17336 17339	Price arrangement between four cotton spinners for cotton yarns only applied to 59's and under
		16897 17340	Four other companies which were producing yarns for sale could not compete with the four companies having the price arrangement
		16899	Kellogg says these price fixing agreements are legal in Canada so long as the price is not undue
		16900 17353	Mr. McNair says he never suggested that these trade agreements were criminal agreements and that he only asked that they referred them to the proper authorities for investigation
		16901	Kellogg admits there should be no further investigation of these agreements
15	23	16901	Price Stabilization - Carpets

Section II - 4

		16902A	Kellock says carpet companies conform to each others prices, not because of any arrangement but because of competition
16	24	16903	Price Stabilization - Prices & Profits
16	25	16904	Production Control
		16906	Kellock submits that attempt of Broad Silk Section to control production is sound practice

[illegible]

KILLOCK'S		KILLOCK'S		KILLOCK'S	
1937		1938		1939	
NO. IN	DATE	NO. IN	DATE	NO. IN	DATE
1937	1937	1938	1938	1939	1939
1	1	17358	1938	Consumer	Competition furnished by domestic industry has a limiting effect on the cost of imported goods
1	2	17361		Consumer	Reduction in duties on Japanese importations, January 1, 1936, resulted in increased mark-up on Japanese goods
1-2	3-4	17364		Consumer	Tariff has the effect of making it possible for domestic producers to maintain the volume of production at efficient low cost levels
3	5	17365		Consumer	No attempt has been made by Canadian mills to use 1930 tariff increases to enhance prices. Instead prices have fallen
4	6	17368		Consumer	In some cases prices at which cotton fabrics have been sold in recent years have shown greater reductions on typical fabrics from 1930 to 1935 than the corresponding reductions in raw cotton prices
4	7	17367		Consumer	Full fashioned hosiery prices lower in 1933 than in 1932
4	8	17369		Consumer	Deductions made from the foregoing as related to consumer interests

- 16693 Kellock says Mr. Mcnamer did not have much to say about the point of view of the public as distinguished from the point of view of the consumer
- 16694 Consumer's point of view on the tariff
- 16697 Kellock admits the mass of the population in Canada is satisfied with tariffs

EXHIBIT "I"

KILBICK'S PART		KILBICK'S PARTNER'S AGREEMENT CAPITAL								
DATE IN ENTRY	QTRAL CARD									
1	1	17411		Submissions -	The textile industry is invaluable to the economic and social life of the rural towns and surrounding countryside. It would be unwise from a national point of view to increase Canada's dependence on textile supplies from other countries					
1	2	17412		"	Yemen textile industry was able to maintain and increase employment during depression years it played an important part in Canada's ability to weather the depression					
1	3	17412 17416		"	Textile industry in Canada pays higher wages than those paid in Great Britain, the United States (until the N.R. A.) and Japan					
2	4	17416	18950	"	Profits have been substantially less than a fair return on capital invested in manufacturing enterprises					
2	5	17417		"	Earnings have been used to develop the industry, the public benefitting by the large scale operations					
2	6	17417		"	Success of establishment of fair trade practices has been in the interests of the secondary manufacturer, retailer worker and consumer. Attempt to stabilize prices have been confined to only a few of the Canadian textile products and resulted in no undue enhancement of prices					

8	7	17418	Submissions - Spread between duty rates on Canadian textile products and duty rates, excise duties and sales taxes paid on materials, machinery, etc., is not now more than is necessary to preserve to the Canadian manufacturer that portion of the domestic market essential to him if he is to continue to maintain employment at the present level
3	8	17418	" Competition from Great Britain is persistent and powerful
3	9	17427	" Due to downward revision of the tariff in 1936 and in other years since 1930, increases, conclusions which might be drawn from a consideration of conditions existing prior to May, 1936, are not applicable to present conditions
3	10	17427	" Existing duties are inadequate to prevent serious inroads being made by Japanese products in the Canadian market
3	11	17428	" Permitting imports on consignment from Japan to enter Canada free of currency dumping duty opens the door to fraud and to unfair competition as between Japanese imports and the products of Canadian textile mills
3	12	17428	" Fixed valuations for duty purposes are the most satisfactory means of equalizing low costs of production in other countries and Canadian costs of production

SECTION - HOSIERY
Continuation of Exhibit

COMMISSION PAGE IN		PAGE IN		S U B J E C T					
R.I. KELLOCK'S JURY - II		R.I. KELLOCK'S JURY - II							
1	17172			Description of Hosiery Mills in Canada					
2	17173			Domestic production					
3	17174			Imports					
4	17175			Exports					
	17175			Hosiery Section exported 13% of its production in dozens in 1934 - Canadian Silk Products exports about 1% of its production and Julius Kayser about 52%					
	17232								
5	17176			Apparent Canadian Market					
	17178			Apparent Canadian market for hosiery in 1934 was about 5,674,000 dozen pair					
	17179			Kellock says it is obvious that if imports of any products are increased domestic production will be decreased and also employment. Mr. McIner does not agree					
6	17179B			Value of sales, 1930-1934, (Ex. 1155)					
7	17180			Value of sales, 1930-1934, Julius Kayser Co.					
8	17180	19043	19047	Net profit as a percentage on sales					
	17182			As volume of sales increases, more money can be made on a lower net profit on sales					
	17183			Mr. McIner says that net profit on sales does not mean very much and that it is profit on capital that should be considered					
9	17184	19043		Net profit on shareholders' equity					
	17186			Kellock refers to mills used in Commission Auditor's sample as 'successful mills'					
	17190								

	17187		Kellock says the successful mills are the ones which have their records in the best shape and are, therefore, the ones that sent in answers to the questionnaire
	17189		Kellock admits that he has taken Mr. Rowan's figures as representing the industry as a whole
	17190		Hosiery division includes companies such as Foxmans, which also produces knit goods but their hosiery figures are included in figures for knit goods and are not included in hosiery figures
10	17192		Supersilk Hosiery Co. - Financial record
10			Supersilk Hosiery Co. - Profit to Sales and Profit to Shareholders
	17193		1932 was the year in which the return to the shareholders was lowest
	17196		Canada ranks fourth as an exporting nation and fifth in total trade of the world
11	17201		Waldrest Hosiery Co. - Financial record
12	17204	13044	Canadian Silk Products Co. - Financial record
	17205		Kellock says Mr. Schur never considered what the shareholders got and Kellock is dealing particularly with this standpoint because he wishes to discuss the effect, if any, of any price discussion that these companies took part in
	17216		
	17209		Canadian Silk Products paid \$926,028.50 in dividends on class 'a' preferred shares between 1923 and 1935, - \$1,128,348 still remains with the Company as undistributed surplus and reserve
13	17211	242	Results of 6 Hosiery mills' operations
14	17217		Price Stabilization - Financail rises in Silk Hosiery business is great and requires a substantial return because of (a) the machinery; (b) the raw material, (c) the export market
	17219		Selling prices of full fashioned hosiery fluctuate with the fluctuations in the price of raw silk

- 17220 Silk industry can protect itself against price
17221 fluctuations in raw silk by buying futures
- 15 17222 Canadian Silk Products and Kayser
- 17223 Kellook agrees that Canadian industry should
keep its good trading relations with other
exporting countries
- 16 17224 Analysis of 8 Hosiery Mills' operations
17225 (Allen-A, Cutham, Holeyproof, National, Nordic,
St. Johns, Supersilk and Weldrest)
- 17226 Canadian Silk products was one of the keenest
objectors to price cutting
- 17227 Kellook's explanation as to why price stabl-
17228 ization agreements were entered into in 1933
- 17 17229 Submissions
- 17230 Kellook says the term 'work of stabilization'
means stabilization of price
- 17231 Eight hosiery companies had only a total re-
17232 venue in 1932 of \$29,000, this being the v-
alue of their sales less expenses
- 17233 Kellook says that if a raw silk futures con-
17234 tract is completed the seller has the option
of delivering any grade of silk he likes, whe-
ther it is suitable or not
- 17235 Kellook says he does not suggest that the mills
17236 would have been better off if they had closed
down during the lean years, but does say that
the returns were very small
- 17237 The eight companies selected by Kellook to
17238 illustrate the hosiery section represent 43%
of the full-fashioned hosiery production
- 17239 Kellook says he is ready to be judged by the
17240 standard shown by these eight companies
- 17241 Kellook says evidence shows that the price
17242 fixed in the hosiery agreements went down
continuously until the last one, which did not
become effective and which was slightly up
over the preceding one, and that they all
cover a few of the cheaper lines of production

SECTION / TEXT OTHER

COMMITTEE PAGE IN			PAGE IN	BOARD'S
PARA-	PAGE IN	COMMITTEE		
NO.	NO.	NO.	NO.	NO.
1	2	3	4	5
1				Comparison between Canadian and United States cotton mills of (1) Return on total investment in operation after eliminating goodwill (2) Return on capital stock equity after eliminating goodwill
1	1	17244		Description of knitting mills
1	2	17245		Production in Canada - 1926 to 1934
2	3	17246		Imports of Knit Goods, 1927 to 1934
3	4	17247		Exports of Knit Goods, 1927 to 1934
3	5	17247		Apparent Market in Canada, 1926 to 1934
4	6	17249		Production of 53 knitting mills, 1926 to 1934
4	7	17250		Net profits to shareholders' equity, 1926 to 1935
		17251		Net profits shown as a percentage of shareholder's equity is after payment of interest
5	8	17252		Net profits to sales
6	9	17254		Regent Knitting Mills Ltd. - return on Common Stock equity
6	10	17255		Stanfields Limited - percentage of net profits to shareholders' equity
7	11	17256		Monarch Knitting Co. Ltd. - percentage of net profits to shareholders' equity
7	12	17256		G. Turnbull & Co. - percentage of net profits to shareholders' equity
7	13	17256		Baumans Limited - percentage of net profits to shareholders' equity

7	14	17256		J. R. Moodie & Co. Ltd - net profit on operations
7	15	17257		Price Stabilization - Women's and Children's Cotton Underwear
8	15	17257		J. R. Moodie & Co. Ltd.,
8	15	17260		S. Leonard & Sons
8	15	17260		Mercury Mills Ltd.
9	15	17261		C. Turnbull & Co.
9	15	17261		Pennans Ltd.
9	15	17261		Zimmerknit Ltd.
		17262		Pennans did not reduce wage rates in 1935
10	15	17264	19046	Agreement in regard to women's and children's cotton underwear is still in effect, but there is not undue enhancement of price to the consumer
		17265		
10	15			No evidence that fleece lined sleepers are sold at an unduly high profit
		17264		Kallock says reason women's and children's cotton underwear is generally sold below cost is that it is necessary to do so in order to meet prices that are quoted or else retire from the field
		17266		Kallock submits that only some of the members of the Association were parties to price fixing arrangements on Children's Fleece lined Sleepers

CONTINUED PAGE IN									
PAGE IN COMPTON'S RECORD'S									
PAGE IN COMPTON'S RECORD'S									
1	1	17266		Commission Auditor's statement on operation of group of Mills					
1	2	17267		Profits of the Industry					
		17268		Kellock says he includes miscellaneous income in net profit as it is net profit to the company					
		17271		Kellock says difference between him and Mr. McRuer as to what constitutes capital investment is that Mr. McRuer does not include anything but tangible capital, while he includes intangibles					
2	3	17272	211	Net profit including Miscellaneous Income is a percentage of shareholders' equity					
2	4	17273		Average profits made in pre-depression period 1926 to 1929					
3	4	17275		Canadian and Foreign Cloth production in Canada, 1930 to 1933					
3	5	17276		Domestic Woolens and Worsted excluded from Commission Counsel's figures showing return on shareholders' equity					
		17278		Cloth mills experienced a period of decline which culminated in 1930, at which time they only had 23.5% of the home market					
3	6	17277		Price per yard of cloth declined steadily between 1931 and 1933					
3	7	17277		No undue profits were made and no advantage taken of tariff to enhance prices					
3	8	17277		Returns shown in Commission Counsel's representative sample of 13 mills are higher than the returns shown in either the available sample or the available sample less one					
4	9	17279		Financial record of four representative					

1	9	17278		Financial record - Woolen Co.
		17280		Explanation by Mr. Rogers of how compilation from companies' returns were made up by Mr. Howson
4	9	17283		Financial record - Paton Mfg. Co.
4	10	17284		Financial record - Paris Sissy Mills Ltd.
4	11	17285		Patons & Baldwins Ltd.
3	11	17286		Bulk of Patons & Baldwins' business is done under Tariff Item 531A
5	12	17287	217	Operation of Orillia Mill of Dominion Woolens and Worstedes should not be compared with Patons & Baldwins as types of yarn produced are not similar
		17288		Patons & Baldwins Ltd Canadian plant is a branch of a world-wide organization. It has no capital structure of its own, but operates on loans from the parent Company in England
		17287		Comparison of old and new rates of duty on hand knitting yarns
		17288		Duty rates on machine knitting yarn
6	13	17289	326	Price stabilization attempted by six mills
6	14	17290		Comparison of sales and profits for six mills
7	13	17290		Operating results - Barrymore Cloth Co. Dominion Woolens & Worstedes Ltd. Largest Textiles Ltd. Hild Bros. Ltd. Paton Mfg. Co.
		17290		Kellock submits that Barrymore Cloth Co. made no undue profit or even a fair return between 1931 and 1935
		17291		Kellock denies charges made in Ryan's report re Dominion Woolens and Worstedes Ltd

8	15	17292	St. Johns Textile Mills Ltd. Results of 5 mills combined
8	15	17292	Wool Top prices in 1933
8	16	17293	Submission that no undue profits were made by any of these six mills
		17293	Kallock submits that an examination of the six mills ¹⁴ The Woolen & Worsted Cloth Sec- tion shows no indication of any undue pro- fits being made by the mills in any of the years from 1931 to 1935

B. UNION - REAL SILK

PARA- PAGE IN COUNCIL'S FACSIM PAGE	COMMISSION PAGE IN HARRIS'S FACSIM PAGE	
		S U B J E C T
1	17292	Companies reported on in Commission Auditor's Rr. No. 916
2	17293	Production of real and artificial silk and mixtures, 1931 to 1934
	17295	Production of real silk declined slightly after 1932 while artificial silk increased year by year, apparently replacing cotton
	17297	Increase in artificial silk production is at the expense of the real silk mills
	17298	Real silk mixtures are real and artificial silk mixed. Artificial silk mixtures are artificial silk and cotton mixtures
3	17300	What the Companies' actually made
4	17300	Operating results of Broad Silk Group
5	17301	Sales, Net profits, percentage to Sales
6	17302	Summary of sales, net profits, percentage to sales, 1936 to 1938
7	17303	First years' operations of Associated Tex- tiles not included in Commission Auditor's reports
	17303	Killock says that the representative com- panies in the Real Silk Division which How- son used in Exhibit 916 comprise the one group of mills which Howson said were suc- cessful
8	17304	The only company where net profit is shown is in the case of Associated Textiles Ltd. (Rr. 907, p. 1) - In all other cases 'net profit' is a trading revenue (Rr. 907, p. 3 and 4)
9	17304	Return on capital has not been excessive at any time

17304

Associated Textiles had a loss of approximately \$60,000 for the first year's operations. Kellock says Howson does not include that year in his figures

17304

16492

Kellock admits that the return has not been excessive at any time

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COMMISSION PAGE IN		
PART - PAGE IN		
PART - PAGE IN		
1	17305	Number of Companies reported on
2	17305	Total net profits
3	17305	Returns to shareholders
	17306	Kellock submits that the profits in the Carpet Division for the 10-year period 1926-1935 and particularly between 1931 and 1935, were very low
4	17306	Net profits for 10 Companies, 1926 to 1935 (Ex. 1191, last page)
5	17307	No provision made for depreciation
6	17308	Unpaid dividends - Harding Carpet Co. Toronto Carpet Co. Ltd.
	17308	Harding Carpet Co. recapitalized about 1932, shareholders being given no par value common shares for the preferred and common stock
7	17309	
8	17310	Price stabilization efforts
9	17310	Sales and net profits of Toronto, Harding, and Brinton Carpet Companies, 1931-1935
10	17311	Net profits to shareholders' equity, 1926 to 1935
	17312	Harding Carpet Co. paid its first dividend on common stock in 1936 - Kellock says Co. hung on to its profits in 1934-35
12	17313	Detailed analysis of earnings not shown for Ouelph Carpet and Worsted Spinning Mills
	17313	Kellock says money used for outside investments might partly come from the original capital and the balance from earnings

12	17313		Companies did not unduly profit
13	17314		Price stabilization plan as outlined by Mr. A.E. Guthbertson, of the Harding Carpet Co.
13			Comments on Commission Counsel's Brief
	17316		Kellock says producers, wholesalers and distributors do not like disorganized price cutting practices to continue, and that it is not in the interests of the consumer that price cutting and selling of goods below cost should continue, because it results in unemployment and loss of money
	17320	346 347 348 351	Mr. Kellner says companies should not enter into an illegal agreement to keep anybody in business as this adds to the taxation on the consumer
	17321		Kellock says there was no suggestion of any agreement between carpet manufacturers until 1934 (Note: Ex. 1240 shows that Carpet Companies entered into price, discount and other arrangements as early as 1921)
	17321		In 1920, mills had more business than they could handle so had to ration customers

H. L. KELLOCK'S EXHIBITS BY AGENT

<u>NO. IN</u> <u>EXHIBIT</u>	<u>EXHIBIT'S</u> <u>DESCRIPTION</u>	<u>A</u>	<u>B</u>	<u>C</u>	<u>D</u>	<u>E</u>	<u>F</u>	<u>G</u>
17327	The King Vs. Cane (No. 1)							
17328	The King vs. Canadian Export Co.							
17329								
17330	Kellock admits that there is no trace of any injury to the public or the consumer or any undue enhancement of prices as a result of the agreements entered into by the manufacturers							
17331								
17332	Kellock admits that price agreements were brought about chiefly by the active competition in the depression years and that the prices are based on the companies' costs and a reasonable return on the capital employed; also that there was nothing undue about the profit which has been earned							
17333								
17334								
17335	Kellock admits that competition was driving prices down to a point where the companies were selling at unprofitable prices and the purpose of the agreements was to stop this							
17336								
17337	He admits that these agreements resulted in lower prices being arrived at							
17338								
17339	Kellock admits that there is no evidence that the cotton yarn agreement resulted in any improper or undue prices being obtained							
17340								
17341	Kellock admits that in the case of cotton yarn, there was other domestic as well as import competition which would prevent undue prices being charged							
17342								
17343	Kellock admits that all these agreements were quite proper and were a good thing as they prevented the companies incurring increased losses, going out of business, with consequent loss of employment, loss of investment and higher prices to the consumer							
17344								
17345	Kellock says he does not think the four large cotton spinning companies which had the price agreement supplied the bulk of the market, a large part of it coming from the other four companies who were producing yarns for sales, and also imports from Great Britain							
17346								
17347	Kellock says that Hallam's circular letter of May 1, 1936, urging hesitancy as to carry out Sections 5 to 13 of the agreement had nothing to do with prices as these sections refer only to fair trade practices							

- 173444 Evidence and letters of Clarke (Canadian Silk Producers) do not coincide as to the existence of price agreements
- 173445 Kellock submits that Dominion Woolliens & Worsteders should not be judged on the basis of what is contained in the Evans' report
- 173447 Under new Canada-British Empire treaty, there are to be no more hearings before the Tariff Board
- 173450 Standard costs and retail costs - basis on which they are computed
- 173453 Standard cost is the most reliable basis on which to determine what a particular article costs or what the selling price should be
- 173457 Tariff Board hearing, May 25 - Mills and silk spun yarns

CONSUMER

- 173460 Kellock says domestic industry protects the consumer from outside competition and keeps domestic prices of foreign goods
- 173461 Kellock says evidence shows that imported goods have placed on them a higher mark-up by the distributor than domestic goods
- 173462 Increased mark-up on Japanese goods after January 1st, 1935, was not necessarily passed on to the consumer
- 173463 Kellock says Canadian industry has not taken full advantage of the available tariff protection and in some cases was not able to bring down its prices to the level of imported merchandise
- 173464 Selling prices of some goods are lower in Canada than in other countries
- 173465 Excise on Japanese raw silk was not applied until Nov. 15, 1935, and was taken off January 1st, 1936. Total amount of excise paid by all the silk industry was only \$1,147.00

- 17370 Statement of value of manufactured products in Canada by provinces, in 1933, as compared with agricultural production (Ex. 1352)
- 17381 Proclaimed value of the yen for 1933 is 29.87 (Ex. 1353)
- 17382 Kellock contends that the increase in the proportion of duty-free textile imports in 1933 and 1935 was partly due to the provision for increasing the duty-free importation of manufactured textiles
- 17383 Wool tops are not included in duty-free imports of manufactured textiles, but wool yarns are
- 17384 Importation of textiles from all countries in 1933 and 1935 (Ex. 1354)
- 17385 Importation of textiles from the United States in 1933 and 1935 (Ex. 1355)
- 17386 Article 11 of 1932 Ottawa Agreement distinguishes between industries fully established and those requiring special care
- 17388 18807 Address of President of Silk Association, June 2, 1934, warning against too much machinery and over-production
- 17388 18804 Kellogg submits it was quite proper in the interests of the public in Canada that new mills should not be established at a time when they were not needed and would only cause unemployment in the mills that were then in existence
- 17399 Kellogg admits that objection by Kure and feeling to press release given to "Woman's Year" was not that the information had been given, but that all the information had not been given
- 17407 Kellogg agrees that the exhibits show that is meant by "hospital enlarged" and "net profit", but states Mr. McInnes has not said what he means by these terms
- 17413 Kellogg says Canadian textile industry paid higher wages than those paid in the United States until the B.L.A. but at corrects this statement (p. 17413) by saying that it only refers to wages paid in the South
- 17423 Imports of fully manufactured duty-free cotton yarns and fabrics from Great Britain in 1933 amounted to \$2,674,000

17423

Killars says there have been instances where such
importations have eliminated Communist production

EXHIBIT and SUMMARY
of the Cotton Division

<u>PAGE IN</u> <u>FILE</u>	<u>PAGE IN</u> <u>EXHIBIT</u>	<u>A</u> <u>B</u> <u>C</u> <u>D</u> <u>E</u> <u>F</u> <u>G</u>
	18773	Method used by Commission in making a survey of the profits made by textile industry in the past
	18775	Norman's statements are correctly prepared and
	18776	correctly reflect the affairs of the companies
	18778	Exhibit 917 - Financial summary of individual companies in Cotton Division
	18782	No counsel has suggested a better method to survey the industry than that used by the Commission
	18791	Exhibit 998- Financial Summary of all companies in Cotton Division
	18791	Mr. McNuer says Kellock maintains that how capital got into a company should not be considered - just earnings on capital
	18792	Appraisal write-ups are perfectly clear
	18794	Term "Net Profit" can not be misleading to anybody
	18794	Ratio of Sales to Capital employed in the industry
	18795	Ratio of Sales to Capital employed as adjusted for appraisal write-ups shows a higher result
	18796	Statements of Sales, Gross Profit before Depreciation and Net Profits on Sales - Cotton Division - (Ex. 998)
	18796	Statement showing Net Profits after interest on loans but before Miscellaneous Income or Bond Interest - Cotton Division - (Ex. 998)
	18797	"Interest on Loans" refers to interest on all loans
	18797	Statements showing Operating Ratio, Ratio of Gross Profits before Depreciation to Sales and Ratio of Net Profits on Sales to Sales - Cotton Division (Ex. 998)

- 12730 Statements showing capital employed and results from Operations - Cotton Division (Ex. 998)
- 12739 Summary of Operations - Cotton Division - (Ex. 998)
- 12811 Statements for other sections of the industry were compiled by Rowson in the same manner as was done for the Cotton Division. Mr. McHuer's explanation as to how they were dealt with
- 12894 Shareholders are entitled to a profit only on money they actually put into the business and the profit should be a reasonable one
- 12906 Pennons Limited - Net profit on sales to capital employed in the industry (Ex. 1070)
- 12921 Kellock says net profit on sales has no relation to capital
- 12921 All revenues, except those from outside investments, must come out of sales
- 12934 A protective tariff should go no further than to protect an honest investment of money actually made
- 12999 Earnings of silk companies, 1931-1935

J. C. McNEIL'S INITIAL

H. L. KILLOCK'S BRIEF

LABOUR CONDITIONS

<u>PAGE IN</u> <u>BRIEF</u>	<u>PAGE IN</u> <u>ARGUMENT</u>	<u>S</u> <u>U</u> <u>B</u> <u>J</u> <u>E</u> <u>C</u> <u>T</u>
18963 18965		Analysis of those gainfully employed in Canada
18966		In 1934, 11.3% of those gainfully employed were engaged in primary textile industry
18967		Number employed in primary textile industry was 51,000 in 1931 and 63,000 in 1936
18968 18971		In 1931 percentage engaged in primary and secondary textiles amounted to 2.43%
18969		Classification by industry of those gainfully employed and distribution by provinces

MISCELLANEOUS

<u>PAGE IN</u> <u>PART</u>	<u>PAGE IN</u> <u>ARGUMENT</u>	<u>S</u> <u>U</u> <u>B</u> <u>J</u> <u>E</u> <u>C</u> <u>T</u>
	18971	Primary textile manufacturers are now dealing directly with retail trade and not through wholesalers
	18972	Number of people on relief from 1932 to 1936
	18973 18975	1935 exports of agriculture and vegetable products, animal and animal products, wood and wood product and paper, iron and its products
	18974	Effect of depression on the Spinning Section of British Cotton Industry (Ex. 600, Ref. 7, Statement 74.)
	18977	If Canada is to maintain position in foreign markets it cannot be done by making production in Canada more expensive than is necessary
	18979	1937 Trade Agreement with United Kingdom
	18986	Memorandum re United Kingdom Trade Agreement (Ex. 1374)
	18988	Cost of production is not a factor of export trade
	19003	March, 1937, issue of National Revenue Review showing value of exports from Canada (Ex. 1378)
	19006	Statements showing influence of domestic textile trade and relative tariff policies on Canada's general export trade (Ex. 1379)
	19008	Statement showing exports from Canada to British and foreign countries shipping fibres, textiles and textile products to Canada in substantial quantities, 1926 to 1936 (Ex. 1379, Sheet 1)
	19217	Statement showing imports into Canada of textiles from 1926 to 1936 (Ex. 1379, sheet 2)

- 19019 Statement showing imports into Canada of textiles and duties collected thereon, 1926 to 1936 - Comparison of values as between British and foreign countries, (Ex. 1379, Sheet 3)
- 19023 Statement showing imports into Canada of textiles, 1926 to 1936, - Comparison of values as between divisions of the textile industry (Ex. 1379, Sheet 4)
- 19025 Statement showing dutiable and non dutiable imports of cotton and its products, 1926 to 1936 (Ex. 1379, Sheet 5)
- 19024 Statement showing composition of duty free textile imports (cotton and its products) 1926 to 1936, (Ex. 1379, Sheet 6)
- 19025 Statement showing dutiable imports of cotton and its products, 1926 to 1936 (Ex. 1379, Sheet 7)
- 19026 Statement showing breakdown by classes of dutiable imports of cotton and its products 1926 to 1936 (Ex. 1379, Sheet 8)
- 19029 Statement showing imports of Flax, Hemp and Jute, 1926 to 1936, (Ex. 1379, Sheet 9)
- 19028 Statement showing composition of duty-free textile imports (flax, hemp and jute products) 1926 to 1936 (Ex. 1379, Sheet 10)
- 19029 Statement showing imports of artistic goods flax, hemp and jute, 1926 to 1936 (Ex. 1379, Sheet 11)
- 19028 Statement showing imports of Silk and its products, dutiable and non-dutiable, 1926 to 1936 (Ex. 1379, Sheet 12)
- 19028 Statement showing composition of duty free textile imports, Silk and its products, 1926 to 1936 (Ex. 1379, Sheet 13)
- 19030 Statement showing breakdown of dutiable imports, Silk and its products, 1926 to 1936 (Ex. 1379, Sheet 14)

- 19030 Statement showing imports of wool and its products, non-dutiable and dutiable, with duties collected, 1926 to 1936 (Ex. 1379, Sheet 15)
- 19031 Statement showing composition of duty-free imports wool and its products, 1926 to 1936, (Ex. 1379, Sheet 16)
- 19032 Statement showing breakdown of dutiable imports of wool and its products, 1926 to 1936, (Ex. 1379, Sheet 17)
- 19037 Statement showing imports of artificial silk (Rayon) and its products, non-dutiable and dutiable, and duties collected, 1926 to 1936, (Ex. 1379, Sheet 18)
- 19039 Statement showing composition of duty-free textile imports, Artificial Silk (Rayon), and its products, 1926 to 1936 (Ex. 1379, Sheet 19)
- 19039 Statement showing dutiable imports of artificial silk and its products, 1926 to 1936, (Ex. 1379, Sheet 20)
- 19040 Statement showing imports (collectively) of other textile fibres and their products, non dutiable and dutiable, and duties collected, 1926 to 1936 (Ex. 1379, Sheet 21)
- 19040 Statement showing composition of duty-free textile imports, other fibres and their products - 1926 to 1936 (Ex. 1379, Sheet 22)
- 19040 Statement showing imports of mixed textile non dutiable and dutiable and duties collected, 1926 to 1936. (Ex. 1379, Sheet 23)
- 19040 Statement showing composition of duty-free mixed textile imports, 1926 to 1936. (Ex. 1379, Sheet 24)
- 19040 Statement showing composition of dutiable imports of mixed textile products, 1926 to 1936, (Ex. 1379, Sheet 25)
- 19052 Economists are of the opinion that the depth into which Canada got in the depression was due to the business of the country being too much localized

18898

Hallock says condition existing is that
mills have sufficient capacity to produce
everything needed in Canada and no
new mills are required

MONOPOLIES AND COMBINES

<u>PAGE IN</u> <u>BRIEF</u>	<u>PAGE IN</u> <u>ARGUMENT</u>	<u>S</u> <u>U</u> <u>B</u> <u>J</u> <u>E</u> <u>C</u> <u>T</u>
	19043	Agreements in restraint of domestic competition
	19047	Price fixing arrangements should be referred to proper officials for investigation and such action as is considered advisable

PENMAN LIMITED

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- 18807 History of Penman Company
- 18808 Syndicate headed by Stewart of the Sovereign Bank purchased outstanding common shares of Penman Manufacturing Company for \$2,520,400. or \$350. per share
- 18810 Penman Limited was incorporated in 1906, bonds, preferred and common stock being issued to the amount of \$5,000,000 of which \$2,471,600 was water
- 18811 To provide a further earning on common
18812 stock equity composed of watered stock is
18813 an unsound basis on which to formulate a
protective tariff
- 18820 Since 1907 there has been paid in dividends on Penman bonds securities \$5,424,806.00

DATE: APR 27 1963

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19000	No sales made of Canadian broadened taffeta to any of large departmental stores in Toronto or Montreal	
18794	Ratio of sales to Capital Employed in the Industry	
18793	Ratio of Sales to Capital Employed as adjusted for appraisal write-ups shows a higher result	
18798	Statements of Sales, Gross Profit before Depreciation and Net Profits on Sales - Cotton Division (Ex. 998)	
18777	Statements showing Operating Ratios, Ratio of Gross Profits before Depreciation to Sales and Ratio of net Profits on Sales to Sales - Cotton Division (Ex. 996)	
18806	Pennans Limited - Net profit on sales to capital employed in the industry (Ex. 1070)	

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| 18977 | A protective tariff on textiles cannot be justified as an economic benefit to the Dominion |
| 18979 | 1937 Trade Agreement with United Kingdom |
| 18986 | Memorandum re United Kingdom Trade Agreement (Ex. 1374) |
| 18999 | Statement of Canadian customs duties on textiles as at March, 1937; and goods subject to drawback for home consumption. (Ex. 1375) |
| 19008 | Statements showing influence of domestic textile trade and relative tariff policies on Canada's general export trade (Ex.1379) |
| 19019 | Statement showing imports into Canada of textiles and duties collected thereon - 1926 to 1936 - Comparison of value as between British and foreign countries(Ex.1379, Sheet 3) |
| 19037 | Statement showing imports of Artificial Silk (Rayon) and its products, non dutiable and dutiable, and duties collected, 1926 to 1936 (Ex. 1379, Sheet 18) |
| 19040 | Statement showing imports (collectively) of other textile fibres and their products, non dutiable and dutiable, and duties collected, 1926 to 1936 (Ex. 1379, Sheet 21) |
| 19040 | Statement showing imports of mixed textile products, non dutiable and dutiable and duties collected, 1926 to 1936, (Ex. 1379, Sheet 23) |

- 1374 It is not economically sound to have a protective tariff on the basis that it is intended to nurture bad or incompetent management in an industry
- 1375 A protective tariff should go no further than to protect an honest investment of money actually made
- 1376 1937 agreement leaves out items on which there had been maintained a margin of preference between the Intermediate and General tariffs
- 1377 With the abolition of Article 11 of the 1932 agreement, Canada is now at liberty to negotiate agreements for the promotion of trade with any other country, except that margins on particular items which are free to Great Britain will be maintained
- 1378 Memorandum re Trade Agreement between Canada and the United Kingdom dated February 23, 1937 (Ex. 1374)
- 1379 New Trade agreement between Canada and the United States is no longer tied up to the protective principle that there should be an equalization of costs of production

